

## Auditing Procedures Report

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Issued under Public Act 2 of 1968, as amended.

Unit Name	VILLAGE OF WOLVERINE	County	CHEBOYGAN	Type	Village	MuniCode	16
Opinion Date-Use Calendar	APRIL 29, 2008	Audit Submitted-Use Calendar	July 8, 2008	Fiscal Year-Use Drop List	2008		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

**Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".**

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/>	18. Are there reported deficiencies?
<input checked="" type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 84,590.00
General Fund Expenditure:	\$ 93,622.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 59,516.00
Governmental Activities Long-Term Debt (see instructions):	\$ 4,094.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	James	Last Name	Cusenza	Ten Digit License Number	1101012888				
CPA Street Address	923 Spring St.	City	Petoskey	State	MI	Zip Code	49770	Telephone	231 347 4136
CPA Firm Name	Hill, Schroderus & Co., LLP	Unit's Street Address	5714 W. Main St.	City	Wolverine	LU Zip	49799		

**FINANCIAL REPORT  
VILLAGE OF WOLVERINE  
FEBRUARY 29, 2008**

**VILLAGE OF WOLVERINE  
FINANCIAL REPORT  
February 29, 2008**

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**Hill + Schroderus & Co., LLP**  
Certified Public Accountants & Consultants

April 29, 2008

Independent Auditors' Report

Village President and Council  
Village of Wolverine  
Cheboygan County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Village of Wolverine, Michigan, as of and for the year ended February 29, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Village of Wolverine, as of February 29, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Village of Wolverine has not presented management's discussion and analysis that accounting principles generally accepted in the United State of America has determined to supplement, although not required to be part of the basic financial statements.

*Hill + Schroderus & Co.*

CERTIFIED PUBLIC ACCOUNTANTS  
Petoskey, Michigan

**VILLAGE OF WOLVERINE**  
**Statement of Net Assets**  
**February 29, 2008**

**Assets**

**Current Assets**

Cash	\$ 139,142
Taxes receivable	9,745
Due from other governmental units	22,437
Prepaid expenditures	<u>1,802</u>
Total current assets	<u>173,126</u>

**Noncurrent Assets**

Capital assets	381,474
Less: accumulated depreciation	<u>(225,953)</u>
Total noncurrent assets	<u>155,521</u>
Total assets	<u><u>\$ 328,647</u></u>

**Liabilities and Net Assets**

**Current Liabilities**

Accrued expenses	\$ 2,160
Notes payable, due within one year	<u>4,094</u>
Total current liabilities	<u>6,254</u>

**Net Assets**

Invested in capital assets, net of related debt	151,427
Restricted for:	
Metro Act expenditures	4,327
Liquor taxes	3,255
Unrestricted	<u>163,384</u>
Total net assets	<u>322,393</u>
Total liabilities and net assets	<u><u>\$ 328,647</u></u>

**VILLAGE OF WOLVERINE**  
**Statement of Activities**  
**For the Year Ended February 29, 2008**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 47,436	\$ -	\$ -	\$ -	\$ (47,436)
Public safety	382	-	639	-	257
Public works	56,386	4,493	56,801	-	4,908
Recreation and cultural	19,371	-	-	-	(19,371)
Unallocated depreciation	11,199	-	-	-	(11,199)
Total governmental activities	<u>\$ 134,774</u>	<u>\$ 4,493</u>	<u>\$ 57,440</u>	<u>\$ -</u>	<u>(72,841)</u>
General revenues:					
Property taxes					48,447
State-shared revenues					39,065
Interest and rentals					4,701
Miscellaneous					2,131
Total general revenues					<u>94,344</u>
Change in net assets					21,503
Net assets - beginning of year					<u>300,890</u>
Net assets - end of year					<u>\$ 322,393</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF WOLVERINE**  
**Balance Sheet**  
**Governmental Funds**  
**February 29, 2008**

<u>Assets</u>	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total Governmental Funds</u>
Cash	\$ 45,686	\$ 61,739	\$ 31,717	\$ 139,142
Taxes receivable	6,961	-	2,784	9,745
Due from other funds	2,510	-	-	2,510
Due from other governmental units	6,519	10,392	5,526	22,437
	<u>61,676</u>	<u>72,131</u>	<u>40,027</u>	<u>173,834</u>
Total assets	\$ 61,676	\$ 72,131	\$ 40,027	\$ 173,834
<b><u>Liabilities and Fund Balances</u></b>				
<b>Liabilities</b>				
Accrued expenses	\$ 2,160	\$ -	\$ -	\$ 2,160
Due to other funds	-	-	2,510	2,510
	<u>2,160</u>	<u>-</u>	<u>2,510</u>	<u>4,670</u>
Total liabilities	2,160	-	2,510	4,670
<b>Fund balances</b>				
Reserved for:				
Metro Act expenditures	4,327	-	-	4,327
Liquor taxes	3,255	-	-	3,255
Unreserved	51,934	72,131	37,517	161,582
	<u>59,516</u>	<u>72,131</u>	<u>37,517</u>	<u>169,164</u>
Total fund balances	59,516	72,131	37,517	169,164
Total liabilities and fund balances	\$ 61,676	\$ 72,131	\$ 40,027	\$ 173,834

**VILLAGE OF WOLVERINE**  
**Reconciliation of Governmental Funds Balance Sheet to the**  
**Statement of Net Assets**  
**February 29, 2008**

<b>Total Fund Balance - Governmental Funds</b>	<b>\$ 169,164</b>
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds balance sheet	
Cost of capital assets	381,474
Accumulated depreciation	(225,953)
Prepaid insurance costs are not available for current-period expenditures and therefore are not reported in the governmental funds.	
	1,802
Payments on notes are recognized as an expenditure when it is due in the governmental funds. However, in the statement of activities, future notes payable are reported as current and long-term liabilities.	
	<u>(4,094)</u>
<b>Net Assets of Governmental Activities</b>	<b><u>\$ 322,393</u></b>



**VILLAGE OF WOLVERINE**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended February 29, 2008**

	General	Major Street	Local Street	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 35,963	\$ -	\$ 12,484	\$ 48,447
State revenues	39,704	41,087	15,714	96,505
Charges for services	4,493	-	-	4,493
Interest and rentals	2,299	1,927	475	4,701
Other	2,131	-	-	2,131
Total revenues	84,590	43,014	28,673	156,277
<b>Expenditures</b>				
Current:				
General government	47,436	-	-	47,436
Public safety	382	-	-	382
Public works	15,583	29,925	10,878	56,386
Recreation and cultural	19,371	-	-	19,371
Capital outlay	3,746	1,750	1,750	7,246
Debt service	7,104	-	-	7,104
Total expenditures	93,622	31,675	12,628	137,925
Excess (deficiency) of revenues over expenditures	(9,032)	11,339	16,045	18,352
<b>Other financing sources (uses)</b>				
Operating transfers in	-	-	9,374	9,374
Operating transfers out	-	(9,374)	-	(9,374)
Total other financing sources (uses)	-	(9,374)	9,374	-
<b>Net change in fund balances</b>	(9,032)	1,965	25,419	18,352
<b>Fund balances - beginning of year</b>	68,548	70,166	12,098	150,812
<b>Fund balances - end of year</b>	\$ 59,516	\$ 72,131	\$ 37,517	\$ 169,164

**VILLAGE OF WOLVERINE**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended February 29, 2008**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 18,352</b>
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Amounts reported for governmental activities in the statement of net assets are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation.

Expenditures for capital assets	7,246
Current year depreciation	(11,199)

Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Debt issued	-
Principal repaid	7,104
	7,104

<b>Change in Net Assets of Governmental Activities</b>	<b>\$ 21,503</b>
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**VILLAGE OF WOLVERINE**  
**NOTES TO FINANCIAL STATEMENTS**  
**February 29, 2008**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Village operates under a Council-President form of government and provides the following services as authorized by its charter: public safety, highways and streets, sanitation, public improvements, planning and zoning, culture – recreation, and general administrative services.

The Village's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The Village's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The following is a summary of the significant policies used by the Village of Wolverine:

**REPORTING ENTITY**

The accompanying financial statements have been prepared in accordance with criteria established by GASB No. 14, and amended by GASBS No. 39. GASBS 14 states that the primary basis for determining whether outside agencies and organizations should be considered component units of the Village and included in the Village's financial statements is financial accountability. Financial accountability has been defined as follows: A primary government has substantive authority to appoint a voting majority of the component unit's board; the primary government is either able to impose its will on a component unit or there is a potential for the component unit to provide specific financial burdens on the primary government; and the component unit is fiscally dependent on the primary government. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the Village reporting entity.

Excluded from the reporting entity:

Wolverine Community School

Community Center Building Authority

Wolverine Fire Department

These are excluded from the reporting entity because the Village does not have the ability to exercise influence or control over their daily operations, approve budgets or provide funding.

**BASIC FINANCIAL STATEMENTS – OVERVIEW**

The Village's basic financial statements include both government-wide (reporting the Village as a whole) and fund financial statements (reporting the Village's major funds). Governmental activities normally are supported by taxes and intergovernmental revenues.

**BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS**

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government. As a general rule the effect of interfund activity, such as overhead costs, has been eliminated from these statements. The government-wide focus is more on operational efficiency, the sustainability of the Village as an entity and the change in the Village's net assets resulting from the current year's activities.

## NOTES TO FINANCIAL STATEMENTS – CONTINUED

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS –CONTINUED

In the government-wide Statement of Net Assets, the governmental activities are presented on a consolidated basis. Due to the full accrual, economic resource basis, all long-term assets and receivables, as well as long-term debt and obligations are recognized. The Village's net assets are reported in two parts – invested in capital assets, net of related debt; and unrestricted net assets. The Village first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. This statement reduces gross expenses by related program revenues, which include charges for services, operating grants and capital grants.

The program revenues must be directly associated with the function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenue.

#### BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the Village are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. The focus of the fund financial statements is upon the determination of financial position and changes in financial position (sources, uses, and balances of financial resources).

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The emphasis in the fund financial statements is on the major funds in the governmental activities. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures of the governmental funds) for the determination of major funds.

#### Governmental Funds

The following is a description of the major governmental funds of the Village:

**General Fund** – The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

**Major and Local Street Funds** – The Street Funds account for the operation of the street departments. Primary financing is provided by the Village's share of state gasoline taxes. State law requires these gasoline taxes be used to maintain streets.

## NOTES TO FINANCIAL STATEMENTS – CONTINUED

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### **BASIS OF ACCOUNTING**

Basis of accounting refers to the point at which revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the full accrual basis of accounting, which incorporates long-term assets and receivables as well as long-term debt and obligations. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded in the accounting period in which they are earned, as long as they are both available and measurable. Revenues are available when received within the current period or within 60 days after year-end. Expenditures are recorded in the accounting period in which the liability is incurred, as under full accrual accounting. However, debt service expenditures are recorded only when payment is due.

#### **ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY**

##### **Cash and Cash Equivalents**

Cash and cash equivalents are considered to be cash on hand and demand deposits.

##### **Interfund Receivables/Payables**

Outstanding balances between funds are reported as "due to/from other funds" on the balance sheet of the fund financial statements.

##### **Capital Assets**

Capital assets, which include buildings and equipment, are reported in the government-wide financial statements. Capital assets are recorded by the Village when the initial individual costs are equal to or greater than \$500.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Equipment	10 years

## NOTES TO FINANCIAL STATEMENTS – CONTINUED

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY – CONTINUED

##### Long-Term Obligations

In the government-wide financial statements, long-term debts are reported as liabilities.

In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources.

##### Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

#### COMPARATIVE DATA

Comparative data for the prior year is not included in the Village's financial statements.

### NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all Governmental funds of the Village.

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to March 1, the President submits to the Village Council a proposed operating budget for the fiscal year commencing the following March 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted at Village Hall to obtain taxpayer comments.
3. Prior to March 1, the fund budgets are legally enacted through passage of an appropriation act.
4. The budget is adopted at the fund level consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Village Council during the year, and lapse at year-end.

Excess of Expenditures Over Appropriations in Budgetary Funds P. A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Village for these budgetary funds were adopted on a fund basis.

During the year ended February 29, 2008, the Village incurred expenditures in one budgetary fund, which was in excess of the amounts appropriated as follows:

<u>Fund</u>	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
Major Street	\$ 31,900	\$ 41,049	\$ 9,149

## NOTES TO FINANCIAL STATEMENTS – CONTINUED

### NOTE 3: CASH AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Village to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Village is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

#### **Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. At February 29, 2008, the carrying amount of the Village's deposits was \$139,142 and the bank balance was \$140,328. Of the bank balance, \$100,000 was covered by federal depository insurance. The Village may experience significant fluctuations in deposit balances through the year.

### NOTE 4: PROPERTY TAXES

Property taxes are levied and become a lien on property as of July 1 on the State taxable valuation of property in the Village of the preceding December 31. The Village bills its own property taxes. Property taxes revenues are recognized when levied.

The Village is permitted by statute to levy taxes, subject to State Headlee and Truth in Taxation provisions, up to \$12.50 per \$1,000 of taxable valuation for general governmental services and in unlimited amounts for the payment of principal and interest on long-term debt. The Village Charter also provides for up to \$5.00 per \$1,000 of assessed valuation for necessary highway and street purposes. The 2007 State taxable valuation of the Village of Wolverine totaled \$4,735,217.

The tax rate for the year ended February 29, 2008, was as follows:

<u>Purpose</u>	<u>Rate/Taxable Valuation</u>
General government	\$ 7.4176 per \$1,000
Highways and Streets	\$ 2.9668 per \$1,000

# **NOTES TO FINANCIAL STATEMENTS – CONTINUED**

## **NOTE 5: INTERFUND RECEIVABLES AND PAYABLES**

The interfund balances are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 2,510	\$ -
Local Street	-	2,510
	<u>\$ 2,510</u>	<u>\$ 2,510</u>

The interfund balances are for snowplowing wages paid for by the General fund, which were for the Local Street fund.

## **NOTE 6: INTERFUND TRANSFERS**

Operating transfers are as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Major Street	\$ -	\$ 9,374
Local Street	9,374	-
	<u>\$ 9,374</u>	<u>\$ 9,374</u>

The operating transfers from the Major Street Fund are for general operations of the Local Street Fund.



**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

**NOTE 7: CAPITAL ASSETS**

Capital asset activity, excluding governmental activities, of the Village for the current year was as follows:

	<u>Balance March 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance February 29, 2008</u>
<b>Governmental Activities</b>				
Buildings	\$ 352,968	\$ 3,745	\$ -	\$ 356,713
Equipment	<u>21,261</u>	<u>3,500</u>	<u>-</u>	<u>24,761</u>
Subtotal	<u>374,229</u>	<u>7,245</u>	<u>-</u>	<u>381,474</u>
Less accumulated depreciation for:				
Buildings	212,274	8,840	-	221,114
Equipment	<u>2,480</u>	<u>2,359</u>	<u>-</u>	<u>4,839</u>
Subtotal	<u>214,754</u>	<u>11,199</u>	<u>-</u>	<u>225,953</u>
Governmental Activities net capital assets	<u>\$ 159,475</u>	<u>\$ (3,954)</u>	<u>\$ -</u>	<u>\$ 155,521</u>

Governmental fund type property, plant and equipment at February 29, 2008 are summarized as follows:

Buildings	\$ 356,713
Equipment	<u>24,761</u>
Total	381,474
Less: accumulated dep.	<u>(225,953)</u>
Net	<u>\$ 155,521</u>

## NOTES TO FINANCIAL STATEMENTS – CONTINUED

### NOTE 8: LONG-TERM DEBT

The following is a summary of the Village's long-term debt transactions for the year ended February 29, 2008:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
<b>Governmental Activities</b>					
Loan payable	<u>\$ 11,198</u>	<u>\$ -</u>	<u>\$ 7,104</u>	<u>\$ 4,094</u>	<u>\$ 4,094</u>

Long-term liabilities payable at February 29, 2008 is composed of the following individual issue:

The Village financed a tractor for \$11,891 and a lawn mower for \$9,370 for 36 months at 0%.

### NOTE 9: RELATED PARTY TRANSACTIONS

The Village contracted with its President for services including sidewalk work and an addition to the village garage. Payments for these services amounted to \$7,049 during the fiscal year ending February 29, 2008.

### NOTE 10: LEASE

The Village has a lease agreement with the Wolverine Joint Fire Board. The Fire Board leases the Fire Hall from the Village for the cost of the building's property insurance each year. The lease ends in March 2010 and is renewable by the Fire Board at that time.

### NOTE 11: RISK MANAGEMENT

The Village belongs to the Michigan Township Participating Plan, a public entity risk pool currently operating as a common risk management and insurance program for various municipalities throughout the state. The Village pays an annual premium for its general insurance coverage. The pool is self-sustaining through member premiums and reinsures through commercial companies for 100% of its claims.

REQUIRED SUPPLEMENTARY INFORMATION

**VILLAGE OF WOLVERINE**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended February 29, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over/(Under)
	Original	Final		
<b>Beginning budgetary fund balance</b>	\$ 68,548	\$ 68,548	\$ 68,548	\$ -
<b>Resources (inflows):</b>				
Taxes	34,000	34,000	35,963	1,963
State revenues	39,700	39,700	39,704	4
Charges for services	-	-	4,493	4,493
Interest and rentals	2,250	2,250	2,299	49
Other	5,160	5,160	2,131	(3,029)
	<u>149,658</u>	<u>149,658</u>	<u>153,138</u>	<u>3,480</u>
Amounts available for appropriations				
<b>Charges to appropriations (outflows):</b>				
General government:				
Council	3,500	3,500	1,650	(1,850)
President	5,000	5,000	5,676	676
Elections	-	-	213	213
Professional services	4,000	4,000	1,095	(2,905)
Clerk / Treasurer	13,000	13,000	13,742	742
Hall utilities and maintenance	19,800	19,800	6,962	(12,838)
Insurance	12,000	12,000	10,812	(1,188)
Other,	10,560	10,560	7,286	(3,274)
	<u>67,860</u>	<u>67,860</u>	<u>47,436</u>	<u>(20,424)</u>
Total general government				
Public safety	2,000	2,000	382.00	(1,618)
Public works	9,000	9,000	15,583	6,583
Recreation and cultural	16,000	16,000	19,371	3,371
Capital outlay	7,500	7,500	3,746	(3,754)
Debt service	-	-	7,104	7,104
	<u>102,360</u>	<u>102,360</u>	<u>93,622</u>	<u>(8,738)</u>
Total charges to appropriations				
<b>Ending budgetary fund balance</b>	<u>\$ 47,298</u>	<u>\$ 47,298</u>	<u>\$ 59,516</u>	<u>\$ 12,218</u>

**VILLAGE OF WOLVERINE**  
**Budgetary Comparison Schedule**  
**Major Street Fund**  
**For the Year Ended February 29, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over/(Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Beginning budgetary fund balance</b>	\$ 70,166	\$ 70,166	\$ 70,166	\$ -
<b>Resources (Inflows):</b>				
State revenues	38,000	38,000	41,087	3,087
Interest and rentals	300	300	1,927	1,627
	<u>108,466</u>	<u>108,466</u>	<u>113,180</u>	<u>4,714</u>
Amounts available for appropriations				
<b>Charges to appropriations (outflows):</b>				
Public works	22,400	22,400	31,675	9,275
Transfers to Local Street Fund	9,500	9,500	9,374	(126)
	<u>31,900</u>	<u>31,900</u>	<u>41,049</u>	<u>9,149</u>
Total charges to appropriations				
<b>Ending budgetary fund balance</b>	<u>\$ 76,566</u>	<u>\$ 76,566</u>	<u>\$ 72,131</u>	<u>\$ (4,435)</u>

**VILLAGE OF WOLVERINE**  
**Budgetary Comparison Schedule**  
**Local Street Fund**  
**For the Year Ended February 29, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over/(Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Beginning budgetary fund balance</b>	\$ 12,098	\$ 12,098	\$ 12,098	\$ -
<b>Resources (inflows):</b>				
Taxes	15,000	15,000	12,484	(2,516)
State revenues	14,000	14,000	15,714	1,714
Interest and rentals	300	300	475	175
Other	25,000	25,000		(25,000)
Transfers from Major Street Fund	9,500	9,500	9,374	(126)
	<u>75,898</u>	<u>75,898</u>	<u>50,145</u>	<u>(25,753)</u>
Amounts available for appropriations				
<b>Charges to appropriations (outflows):</b>				
Public works	47,500	47,500	12,628	(34,872)
	<u>47,500</u>	<u>47,500</u>	<u>12,628</u>	<u>(34,872)</u>
<b>Ending budgetary fund balance</b>	<u>\$ 28,398</u>	<u>\$ 28,398</u>	<u>\$ 37,517</u>	<u>\$ 9,119</u>



April 29, 2008

COMMUNICATION OF MATERIAL WEAKNESS IN INTERNAL CONTROL AND OTHER MATTERS

Village Council  
Village of Wolverine  
Cheboygan County, Michigan

In planning and performing our audit of the financial statements of the governmental activities and each major fund of Village of Wolverine as of and for the year ended February 29, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Village of Wolverine's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness:

The Village does not have the expertise to prepare financial statements in accordance with generally accepted accounting principles. According to newly issued auditing standards this inability to prepare financial statements in accordance with generally accepted accounting principles is an indicator of a significant deficiency and a strong indicator of a material weakness in internal control.

We did note the Village's management does possess the skill necessary to prepare and monitor the annual budget. The accounting system which is designed primarily for budgetary purposes is also used as the source information in preparing the financial statements in accordance with generally accepted accounting principles with some adjustment, format differences and note disclosures.

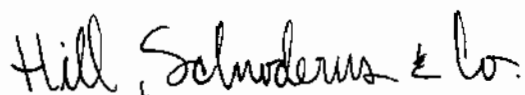
We have also noted other matters for your consideration:

Capitalization Policy: The Village should adopt a formal capitalization policy with a minimum capitalization amount such as \$1,000 used in preparing the financial report. A listing of the various fixed assets owned by the Village over this amount should be retained with dates acquired, cost etc.

Budget Amendments: The budget should be formally amended when it becomes apparent that there will be significant differences from the original budget such as when actual expenses will be considerably higher than those originally budgeted.

Truth in Taxation Hearing: A public hearing needs to be held when property tax millage rate is higher than the allowed levied amount. This hearing needs to be published in the newspaper and can be included with the budget hearing notice.

This communication is intended solely for the information and use of management, Village Council, others within the organization, and State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.



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